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of forms used by brokerage houses and the stock exchange clearing house. An extensive appendix of valuable technical material is included which is of value to both teacher and broker. A very large amount of new material hitherto not published has been issued for the first time. This applies particularly to the material on odd lot traders, floor trader specialists, collateral loan market and the stock exchange clearing house.

The method of approach followed by Mr. Meeker to the problem of the stock market materially differs from that of Professor Huebner. The former reverses the order of approach of the latter, *i. e.*, the organization and technique of operations are first covered and followed by a discussion of the functions of the organized exchange market. In this latter are included a consideration of the dangers of speculation and the regulations of the exchange in protecting the buyer and the seller.

The author has purposely, as he again states in his preface, shunned controversial questions, yet all moot questions have not been avoided as, for example, that of incorporation of the exchange (p. 349), though in all such cases the author has quite closely adhered to a brief statement of the historical facts. It would, however, seem desirable to the reviewer to have included a considerable discussion of such problems as the auditing of member accounts, recently adopted in modified form by the New York stock exchange. Where the author has been obliged to deal with a moot question, he treats his problem with fairness, though a conscious effort seems to have been made to set forth only those things which could be praised and omit all others. On the other hand, as implied in the comments on Professor Huebner's book, strong objection can be raised against the inclusion of much of the temporary controversial material, too often merely political, and of passing interest in a purely scientific work.

Where more extended courses are given in the subject of stock exchanges, Mr. Meeker's book should prove to be an excellent companion and reference book to Huebner's text. The detailed method, however, in which Mr. Meeker has treated operations and transactions will necessitate rather frequent revision as changes in the governing rules of the stock exchange are frequently made.

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Electrical Rates. By G. P. WATKINS. (New York: D. Van Nostrand Company. 1921. Pp. 228.)

The electrical business has developed with leaps and bounds during the past twenty years. This has been especially true during the past ten years, with the introduction of larger and much more economical

central station generating units and with the great improvements in transmission over long distances from the central stations.

This technological or physical development has brought about a corresponding importance in the economic phases of the business relating to investment, operating costs, rates, and return on investment. Dr. Watkins in the present volume has devoted himself especially to the economic problem of rate making. Unfortunately, electrical rates have become established largely through more or less haphazard business expediency, modified by political considerations, with comparatively little direct regard for the economic background of sound rate policy. Dr. Watkins has thus performed a signal service in presenting and discussing the economic phases of electrical rate making.

The book contains eight chapters, also a number of diagrams and curves representing electric supply and conditions of electrical rate systems. A detailed analysis cannot be made for lack of space. The subject is so technical and complicated that a reliable comprehensive summary of the content and point of view is difficult. The scope of the book is indicated by the chapter headings: The peculiar interest and importance of electrical rates; Types and elements of electrical rates described; The reimbursement of separable or prime cost; Class rates and rate differentiation; Load-factor rates; Wholesale rates and quantity discounts; The general theory of differential rates; Suggestions for a model rate schedule.

The author describes the principal classes of rates ordinarily employed in the electrical business and analyzes them from the economic background. Perhaps a fair general statement of his view of a desirable system of rates is that each consumer or group of consumers should pay as nearly as possible the so-called "separable" or "direct" or "prime" cost which is incurred directly for the consumer or the group, and in addition should contribute to the remaining "non-separable" or "joint" or "fixed" costs, including return on investment, upon such "differential" bases as will obtain the maximum economical utilization of the plant and distribution system.

Rate schedules have been fixed more or less clearly on theories of complete cost analysis, with the general effect of merely pro-rating or apportioning the non-separate or joint costs on the basis of assumed relative demand on the investment in plant capacity. This is usually determined by the maximum kilowatt required by each consumer compared with the total maximum kilowatt demand upon the central station, provided for directly or indirectly by a "maximum demand" charge. Dr. Watkins distinguishes such maximum demand rates based upon cost apportionment from differentiation, which has in view the maximum utilization of the investment and seeks the apportion-

ment of all joint costs above the direct or separable costs with the purpose of obtaining such maximum economical utilization.

Dr. Watkins recognizes, however, that in special instances the maximum demand of the consumer is a proper factor in rate making: where such demand actually adds correspondingly to the peak load of the system and requires a proportionate additional investment in plant capacity. In such instances, however, the demand factor becomes in reality a separable cost chargeable directly to the consumer and not a joint cost subject to differential rate grouping. For the most part, however, individual maximum demands have little relative significance except as they coincide with the peak load; but even in such cases they may improve the load factor of the system and thus diminish the joint costs in proportion to the kilowatt hour output. But if the individual's maximum demand does not coincide with the system peak, then it does not add proportionately to the central station requirements and does not furnish a direct measure of joint costs with which it should be properly charged. If it comes off the peak entirely it deserves even favorable consideration in the allocation of joint cost. Moreover, in the case of the mass of small consumers there is no practicable measure of the maximum demand.

The system as a whole is as much interested in filling up the valley of its load curve as in keeping down the peak. A controlling consideration, therefore, in developing a system of differential rates is to obtain the greatest density of use with the maximum leveling of the load curve. A proper system of rates would thus include (1) all direct or separable costs partly as a consumer or meter charge and partly as a flat kilowatt hour charge and (2) such a proportion of the joint or non-separable costs as will best develop the business to maximum utilization, providing however that all joint costs incurred by the system are absorbed by the total charges to all classes of consumers. A model rate schedule is outlined in the concluding chapter. This provides for a maximum demand charge for large consumers where the maximum can actually be measured by meter. For the small consumers, there is a meter charge and a rather low kilowatt hour charge, with a discount for contribution to density (a measure which is outlined). Provision is made also for special rates to meet practical conditions which cannot be provided for in a general schedule.

Dr. Watkins practically adopts the common policy underlying railway freight rates, although because of the character of the business he employs an altogether different group of technical terms. In effect he would classify the service on the basis of the ability of each class to absorb the joint or non-separable costs. This is the underlying technical view of railway freight classifications and charging "what the traffic will bear." This appears to be sound principle; it avoids

arbitrary assignment of costs to particular groups of service, which may retard the economical utilization of the plant and equipment and would result in greater joint costs to be absorbed by all other classes of consumers. The statement of principle, however, is one thing, but practical application is quite another. Differentiation readily shades into discrimination and unjustified rate competition, which in the past characterized the railway freight rates and has by no means been absent from the electrical business. This danger, however, is clearly recognized by Dr. Watkins; but with clear understanding of the danger and with readiness to adjust rates that prove to be uneconomical, the principle of rate differentiation appears to be sound and should control in the establishment of electrical rate schedules. In any event, the principle can be worked out only through a very large amount of practical experimentation.

The book will undoubtedly be read chiefly by specialists interested in electrical rate making. It should be of interest and great value, however, also to the general economist in that it presents the difficulties of price making in a great modern industry. It furnishes an excellent opportunity to match up very carefully one's ideas of marginal utility or supply and demand in determining actual prices charged in the sale of an important service.

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